MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 2, 2022/2023

DMG5024 – MANAGEMENT ACCOUNTING 2

(All sections/Groups)

5 JULY 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

You are the management accountant for N4 Company, which produces and sells 110,000 boxes of coloured pencils in a year and operates at 75% plant capacity. The total sales of the company were reported at RM1,320,000. The company incurred variable costs of RM6 per unit and fixed costs of RM297,000.

A company from Thailand offers to buy 5,000 boxes of coloured pencils at RM10 each. If N4 company accepts the order, the company have to ship the boxes to Thailand at a total cost of RM2,000. The Chief Executive Officer of N4 Company has asked you to prepare a schedule to illustrate the increase or decrease in net income resulting from this order.

Required

1) Prepare a schedule to illustrate the effect on the net income resulting from this proposal.

(5.5 marks)

2) What is your advice to the CEO of N4 Company? Should the company accept the order and why?

(3 marks)

PART B

AHLC Company is always working to identify ways to increase efficiency while becoming more environmentally conscious. During a recent meeting with the staff, Mr. Zaki, the manager, suggested to the financial controller, Mr. Akmal, that the company should consider replacing the current photovoltaic system to a solar panel system. This is a way to reduce energy consumption. The solar panel system converts solar energy into heat which is a stable source of energy in tropical Malaysia. The solar panel system is more cost saving as it could reduce operating expenses by RM2,000 a year. After seeking out price quotes from a few suppliers, Mr. Akmal determined that it would cost approximately RM80,000 to purchase a new energy-efficient solar panel system. He learned that the expected useful life of the new solar panel system would be 10 years, and it would have no residual value at the end of its useful life. Mr. Zaki proposes that the current photovoltaic system which can be used for another 9 years could be sold at a price of RM50,000.

Required

1) Prepare an incremental analysis to determine if AHLC Company should purchase the new solar panel system.

(5.5 marks)

Continued...

2) Based on the incremental analysis in (1), should AHLC Company replace the current photovoltaic system with a solar panel system? Why?

(3 marks)

3) Mr. Akmal is concerned as AHLC Company has spent RM3,000 on the prior years' service of the photovoltaic system. The company also has an accumulated depreciation value of RM20,000 from the photovoltaic system. Discuss how that might change your decision in (a).

(3 marks)

(Total: 20 marks)

QUESTION 2

PART A

Vista Kista Company produces organic fertilizer. The company intends to sell their organic fertilizer in the international market. During the meeting with the Chief Executive Officer (CEO), the management accountant informed that the total investment for the international market is RM250,000. The company believes that it will be able to sell 1,500 packs of fertilizer at a price of RM120 per pack. The CEO is confident that the company will be able to achieve a minimum rate of return of 36% from the sales of organic fertiliser in the international market.

Required

1) Compute the desired profit per pack of organic fertilizer.

(2 marks)

2) Compute the target cost per pack of organic fertilizer.

(3 marks)

PART B

Rahmah Cat Lovers provides cat sitting services for clients in Alor Setar, Kedah. The company performs all the care duties for cats while ensuring the cats' physical and mental wellbeing. The owner of Rahmah Cat Lovers, Zetty, desires a RM5.01 profit margin per hour of labour and 12% profit margin on the product costs. Since the market for cat sitting services is new in Alor Setar, she expects a large crowd of customers. She has budgeted 480,000 hours of labour time and a total bill amounted RM200,000 for the materials costs in 2023.

The following budgeted cost data for the year are as stated below:

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	Time charges (RM)	Material charges (RM)
Cat sitter's wages and benefits	2,500,800	-
Manager's salary and benefits	-	36,340
Admin's salary and benefits	1,488,000	12,660
Other Overhead (supplies, utilities etc)	278,400	13,200
Total budgeted costs	**4,267,200**	**62,200**

Required

1) Compute the rate charge per labour hour for Rahmah Cat Lovers.

(7 marks)

2) Compute the material loading percentage.

(4.5 marks)

3) Zetty received a request from Ms Linda to provide cat sitting services at her house while she has an urgent meeting in London. She estimates that she will leave her house on Sunday at 10.00pm and return home on Tuesday at 2.00pm. Ms. Linda also had informed that all food and related care for her cat is available at her home except for the cat's fresh milk, which is available at Rahmah Cat Lover's company at the price of RM4.00. She has requested Zetty to send an invoice for the services charged by the company. Prepare a Time-and-material price quotation to be submitted to Ms Linda.

(3.5 marks)

(Total: 20 marks)

QUESTION 3

Panda Car Services provides car repair and maintenance services in Melaka. The company has a maximum capacity of providing 800 car services to their customers at a budgeted fixed costs of RM50,000 each month. Average budgeted variable costs of the car service are RM70 per hour. During the year, the company reported the following information related to the services performed by the company:

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	Actual car repair and maintenance services performed	Budgeted car repair and maintenance services performed	Practical capacity available for car repair and maintenance services
Oil change	60	80	100
Pre-technical check	80	50	260
Installation and balancing	200	120	240
Wheel alignment	160	200	200
Total	500	450	800

Required

Assume the dual-rate method is used. Variable costs are allocated on the basis of budgeted car repair and maintenance services. Fixed costs are allocated on the basis of practical capacity.

1) Allocate the budgeted cost allocation of car repair and maintenance services made by Panda Car Services.

(10 marks)

2) Will your answer in (1) be different if the variable cost is allocated based on budgeted car repair and maintenance services and fixed costs are allocated on the basis of actual car repair and maintenance services? Show your computation.

(10 marks)

(Total: 20 marks)

QUESTION 4

PART A

Bintang Saga Café specialises in baking cakes. The bakery's activities and related data are given as follow:

Activity	Budgeted cost of an activity	Allocation Base
Mixing	RM507,600	Number of ingredients
Baking	RM1,485,000	Machine hours
Decorating	RM123,120	Direct labour hours

Continued...

During the year, Bintang Saga Café produced 1,760 sponge cakes and 3,530 flourless cakes and incurred RM120,000 direct labour cost which are distributed evenly to these two types of cakes. The total quantities, direct material costs, and other data are as follow:

	Total direct material costs	**Total number of ingredients**	**Total machine hour**	**Total direct labour hours**
Sponge cake	RM46,230	45,000	55,000	1,800
Flourless cake	RM56,140	63,000	77,000	3,600

Required

1) Compute the activity-based cost allocation rate for each activity.

(4.5 marks)

2) Using the activity-based cost allocation rates, compute the manufacturing overhead costs for both cakes.

(7 marks)

3) Compute the total cost for each type of cake.

(4 marks)

PART B

The H2O Company processes 2,500,000 kilograms of sugar cane at a cost of RM5,198,890, where two products, sugar and syrup are produced.

The costs of purchasing the sugar cane and processing it up to the split off point to yield a total of 1,250,000 kilograms of sugar was RM198,890, which can be sold at RM0.80 per kg. There were no inventory balances for either product. Sugar may be processed further to yield 1,700,000 kilograms sweets for an additional processing cost of RM3 per kg. The company managed to sell 450,000 kilograms of sweet for RM14 per kg.

There are a total of 1,750,000 kilograms of syrup produced up to the split off point which is saleable at RM0.70 per kg. Syrup can be processed further to yield 750,000 kilograms of multi-flavoured syrup, for an additional processing costs of RM5 per kg. The company managed to sell all the multi-flavoured syrup for RM16 per kg.

Required

Calculate The H2O Company's joint cost allocation for both products using sales value at split off method. (Round your joint cost allocated to the nearest cent).

(4.5 marks)

(Total: 20 marks)

Continued...

QUESTION 5

PART A

Lovely Lazzat Company manufactures homemade cookies that are sold in various stores in Melaka. On 1 January 2023, the company receives a special order from Murah Store to supply 10,000 pieces of cookies for Hari Raya which is in April 2023. Since it is a last-minute order, the finance controller is worried that the company may not be able to achieve the desired production. Each homemade cookie requires 45 minutes, and the labour cost is RM5 per hour After a discussion with the store manager, Lovely Lazat Company agreed to supply 15 different homemade cookies in four batches to Murah Store at the end of February 2023.

The estimated homemade cookies produced are as follows:

	Batch 1	Batch 2	Batch 3	Batch 4
Production in units	2,800	3,200	3,000	1,000

Required

Prepare a direct labour budget for each batch and in total, for Lovely Lazat Company.

(12.5 marks)

PART B

Ray Bond Company manufactures sunglasses. The company has produced and sold 420,000 sunglasses and recorded the following cost data:

Standard cost information		
	Quantity	Price
Direct materials	4 units	RM230.00
Direct labour	5 hours	RM12.00
Manufacturing overhead	5 hours	RM8.20

During the year, the company produced and sold 1,560 units of sunglasses and incurred a total of RM150,500 direct materials cost, RM95,000 direct labour cost and RM40,800 manufacturing overhead. The accountant of the company reported that the material purchased during the year was 602 units and the labour spent 7,600 hours to produce the sunglasses.

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Required

Compute the followings:

1) Material price variance

(2.5 marks)

2) Labour quantity variance

(2.5 marks)

3) Total overhead variance

(2.5 marks)

(Total: 20 marks)

End of Paper